

Economically Disadvantaged Appeal

Chapter **4.7**

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Economically Disadvantaged Appeal

What is an economically disadvantaged appeal?

An economically disadvantaged appeal alleges that a school should not be subject to sanction because it has a high number of low income students. There are two types of economically disadvantaged appeals: an economically disadvantaged appeal based on low income rate and placement rate and an economically disadvantaged appeal based on low income rate and completion rate.

The type of economically disadvantaged appeal a school may submit depends on whether the school is a non-degree-granting school or a degree-granting school. For an economically disadvantaged appeal to be successful, a non-degree-granting school must submit an independent auditor's written opinion that

- ❖ the school's low income rate (generally, the percentage of students with low incomes) is two-thirds or more and
- ❖ the school's placement rate (generally, the percentage of students who became employed in the occupation for which the school trained them) is 44 percent or more.

For an economically disadvantaged appeal to be successful, a degree-granting school must submit an independent auditor's written opinion that

- ❖ the school's low income rate (generally, the percentage of students with low incomes) is two-thirds or more and
- ❖ the school's completion rate (generally, the percentage of students who completed their program) is 70 percent or more.

Figure 4.7.1 shows the time frame for submitting an economically disadvantaged appeal.

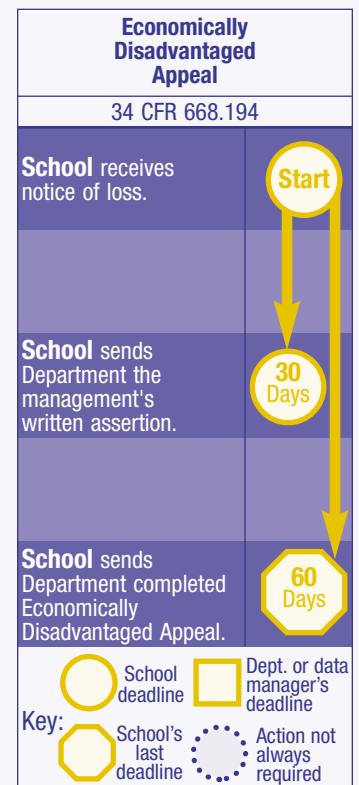
What benefit will a school gain from submitting an economically disadvantaged appeal?

If an economically disadvantaged appeal is successful, the school is exempt from sanctions based on that cohort default rate until the next official cohort default rates are released. However, a successful economically disadvantaged appeal does not change a school's official cohort default rate.

34 CFR 668.194

Figure 4.7.1

Time Frame for Submitting an Economically Disadvantaged Appeal



Are economically disadvantaged appeals based on a specific period of time?

The school must base the economically disadvantaged appeal on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the economically disadvantaged appeal. The time period will differ based on the cohort fiscal year used by the school.

The federal fiscal year always begins on October 1. As a result, the six months immediately preceding the start of a fiscal year will always begin on April 1 and always end on September 30. Therefore, the 12-month period the school uses must end no earlier than April 1 and no later than September 30. In order for a 12-month period to end between April 1 and September 30, it must begin no earlier than April 2 and no later than October 1 of the preceding year.

Figure 4.7.2

Date Ranges for Acceptable 12-Month Periods

Cohort Fiscal Year	Cohort Fiscal Year Start Date	Acceptable 12-Month Period Begins Between	Acceptable 12-Month Period Ends Between
FY 1999	10/01/1998	04/02/1997 - 10/01/1997	04/01/1998 - 09/30/1998
FY 2000	10/01/1999	04/02/1998 - 10/01/1998	04/01/1999 - 09/30/1999
FY 2001	10/01/2000	04/02/1999 - 10/01/1999	04/01/2000 - 09/30/2000
FY 2002	10/01/2001	04/02/2000 - 10/01/2000	04/01/2001 - 09/30/2001
FY 2003	10/01/2002	04/02/2001 - 10/01/2001	04/01/2002 - 09/30/2002
FY 2004	10/01/2003	04/02/2002 - 10/01/2002	04/01/2003 - 09/30/2003
FY 2005	10/01/2004	04/02/2003 - 10/01/2003	04/01/2004 - 09/30/2004

Figure 4.7.2 is a chart that can be used to determine an acceptable 12-month period. To choose an acceptable 12-month period, a school should first determine which cohort fiscal year the school will use. The school then picks a start date from the range listed in the "Acceptable 12-Month Period Begins Between" column. The end date will be 12 months after the start date, which will fall in the range listed in the "Acceptable 12-Month Period Ends Between" column. Figure 4.7.3 shows an acceptable and some unacceptable 12-month periods for cohort FY 2001.

Figure 4.7.3

Acceptable and Unacceptable 12-Month Periods for Cohort FY 2001

12-Month Period	Status	Reason
04/02/1999-04/01/2000	Acceptable	Starts within acceptable range; ends 12 months later within acceptable range
04/02/1999-04/02/2000	Unacceptable	Starts within acceptable range; ends more than 12 months later
04/01/1999-03/31/2000	Unacceptable	Starts and ends outside acceptable range

A school can select the most beneficial 12-month period available. In other words, a non-degree-granting school can identify the acceptable 12-month period with the highest low income rate and the highest placement rate. Similarly, a degree-granting school can identify the acceptable 12-month period with the highest low income rate and the highest completion rate.

If a school selects an unacceptable 12-month period, the U.S. Department of Education's (the Department's) Default Management will not review any portion of the school's economically disadvantaged appeal and the economically disadvantaged appeal will be denied and returned to the school. A school may contact Default Management at 1-202-708-9396 to discuss whether the school has selected an acceptable 12-month period.

How does a school calculate its low income rate?

After selecting the 12-month period, the school determines the number of students who were enrolled in an eligible Title IV program during any part of the 12-month period. To be included in the calculation, the student must have been enrolled at least half-time and enrolled at least one day during any part of the selected 12-month period. The school then determines the number of these students who are considered low income students.

A student is considered to be a low income student if

- ❖ for an award year that overlaps the selected 12-month period, the student has an expected family contribution (EFC) that is equal to or less than the largest EFC that would allow a student to receive one-half of the maximum Federal Pell Grant award, regardless of the student's enrollment status or cost of attendance, or
- ❖ for a calendar year that overlaps the selected 12-month period, the student has an adjusted gross income (AGI) that, when added to the AGI of the student's parents (if the student is a dependent student) or the student's spouse (if the student is a married independent student), is less than the amount listed in the Department of Health and Human Services (HHS) poverty guidelines for the size of the student's family unit, which can be found on the HHS website at

<http://aspe.os.dhhs.gov/poverty/poverty.htm>

An award year begins on July 1 of one year and ends on June 30 of the following year. A calendar year begins on January 1 and ends on December 31.

***A school can
select the most
beneficial
12-month period
available***

To determine the low income rate, the school divides the number of low income students enrolled at least half-time in an eligible program during any part of the selected 12-month period (the numerator) by the total number of students enrolled at least half-time in an eligible program during any part of the selected 12-month period (the denominator). The result is the low income rate.

$$\begin{array}{|c|} \hline \text{Low income students} \\ \text{enrolled at least} \\ \text{half-time in an eligible} \\ \text{program during any} \\ \text{part of the selected} \\ \text{12-month period} \\ \hline \end{array} \div \begin{array}{|c|} \hline \text{Total regular students} \\ \text{enrolled at least} \\ \text{half-time in an eligible} \\ \text{program during any} \\ \text{part of the selected} \\ \text{12-month period} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Low} \\ \text{Income} \\ \text{Rate} \\ \hline \end{array}$$

In order for the economically disadvantaged appeal to be successful, the low income rate must be at least two-thirds.

For example, a school had a total of 200 regular students enrolled at least half-time in an eligible program and enrolled at least one day during the selected 12-month period. Of those, 80 were eligible to receive at least one-half of the maximum Federal Pell Grant and 60 others were below the poverty level. Therefore, a total of 140 students are considered low income. The school's low income rate is calculated as follows:

$$140 \text{ low income students} \div 200 \text{ regular students} = 70.0 \text{ percent low income rate}$$

How does a non-degree-granting school calculate its placement rate?

As mentioned, only non-degree-granting schools can submit an economically disadvantaged appeal based on the school's low income rate and placement rate. Degree-granting schools can only submit an economically disadvantaged appeal based on the school's low income rate and completion rate. For information on calculating a completion rate, see the section of this chapter entitled "How does a degree-granting school calculate its completion rate?"

When calculating placement rates, a school must use the same selected 12-month period it used in calculating its low income rate. The school first determines the denominator, which is the number of former students initially enrolled at least half-time in an eligible Title IV program who meet the following criteria:

- ❖ The student was originally scheduled to complete his or her program during the selected 12-month period. The student's actual last date of attendance does not need to fall within the selected 12-month period.

The date a student was originally scheduled to complete is based on the student's initial enrollment status. For a student who was initially enrolled full-time, the date is based on the amount of time specified in the school's enrollment contract, catalog, or other materials for a full-time student to complete the program. For a student who was initially enrolled less than full-time, the date is based on the amount of time specified by the school for the student to complete the program if the student remained enrolled in that enrollment status throughout the program.

- ❖ The student was enrolled in the program beyond the point at which he or she would have received a 100 percent tuition refund. A student who withdrew before the point at which he or she would have received a 100 percent tuition refund is not included in the calculation.

These "former students" are included in the placement rate. A student is not included in the placement rate if, on the date that is one year after the student's originally scheduled completion date, he or she is still enrolled in the same program and is making satisfactory progress.

After determining the number of "former students" (the denominator), the school then determines the numerator, which is the number of these "former students" who have been placed in jobs for which the school provided training. A student is considered a placed student if the student meets one of the following three criteria:

- ❖ The student was employed on the date that is one year and one day after the student's last date of attendance at the school in an occupation for which the school provided training. For example, if the student's last date of attendance was August 31, the date that is one year and one day after the student's last date of attendance is September 1 of the following year. A student is not considered successfully placed if the school was the employer.
- ❖ The student was employed for at least 13 weeks (91 days) between the date the student first enrolled and the date that is one year and one day after the student's last date of attendance at the school in an occupation for which the school provided training. A student's employment while in school can be considered as long as the employment was in an occupation for which the school was providing training to the student. A student is not considered successfully placed if the school was the employer.

- ❖ The student entered active duty in the U.S. Armed Forces within one year after his or her last date of attendance at the school.

These are the “placed students” (the numerator).

The school then divides the number of “placed students” (the numerator) by the total number of “former students” (the denominator). The result is the placement rate.

$$\boxed{\text{Placed Students}} \div \boxed{\text{Former Students}} = \boxed{\text{Placement Rate}}$$

In order for the appeal to be successful, the placement rate must be at least 44.0 percent.

For example, a school had a total of 50 “former students.” Of those, 17 met the first criteria (employed on the date one year and one day after the last date of attendance), 6 met the second criteria (employed for 13 weeks), and 2 met the third criteria (Armed Services). Therefore, the school has a total of 25 “placed students.” The school’s placement rate is calculated as follows:

$$25 \text{ placed students} \div 50 \text{ former students} = 50.0 \text{ percent placement rate}$$

How does a degree-granting school calculate its completion rate?

As mentioned, only degree-granting schools can submit an economically disadvantaged appeal based on the school’s low income rate and completion rate. Non-degree-granting schools can only submit an economically disadvantaged appeal based on the school’s low income rate and placement rate. For information on calculating a placement rate, see the section of this chapter entitled “How does a non-degree-granting school calculate its placement rate?”

When calculating completion rates, a school must use the same selected 12-month period it used in calculating its low income rate. The school first determines the denominator, which is the number of regular students initially enrolled on a full-time basis in a Title IV eligible program who were originally scheduled to complete their programs during the selected 12-month period. The date a student was originally scheduled to complete is based on the amount of time specified in the school’s enrollment contract, catalog, or other materials for a full-time student to complete the program. A student’s actual last date of attendance does not need to fall within the selected 12-month period.

After determining the number of “regular students” (the denominator), the school then determines the numerator, which is the number of “regular students” who completed their program. A student is considered to have completed a program if the student meets one of the following four criteria:

- ❖ The student completed the educational program in which he or she was enrolled.
- ❖ The student transferred to a higher-level program at another school.
- ❖ The student remained enrolled and was making satisfactory academic progress at the end of the selected 12-month period.
- ❖ The student entered active duty in the U.S. Armed Forces within one year after his or her last date of attendance at the school.

These are the “completed students” (the numerator).

The school then divides the “completed students” (the numerator) by the total number of “regular students” (the denominator). The result is the completion rate.



In order for the appeal to be successful, the completion rate must be at least 70.0 percent.

For example, a school had a total of 50 “regular students.” Of those, 17 met the first criteria (completed the program in which they were enrolled), 12 met the second criteria (transferred to a higher-level program), 8 met the third criteria (still enrolled and making satisfactory academic progress), and 2 met the fourth criteria (Armed Services). Therefore, the school had a total of 39 “completed students.” The school’s completion rate is calculated as follows:

$$39 \text{ completed students} \div 50 \text{ total students} = 78.0 \text{ percent completion rate}$$

Does a school need to wait until it receives a notice of loss of eligibility to calculate its low income rate and placement rate or low income rate and completion rate?

It is important to note that a school does not need to wait until receiving the notice of loss of eligibility to begin preparing materials to submit as part of its management's written assertion. If the school believes that it will be subject to sanction after release of the official cohort default rates, and the school believes that it should not be subject to sanction because of its low income rate and placement rate or because of its low income rate and completion rate, the school should calculate its low income rate and placement rate or low income rate and completion rate in advance of the release of the official cohort default rates.

How does a school submit an economically disadvantaged appeal?

Timing is critical when submitting an economically disadvantaged appeal. Within 30 calendar days of receiving the school's notice of loss of eligibility, the school must determine if it is eligible to submit an economically disadvantaged appeal and, if so, submit its management's written assertion to Default Management. Within 60 calendar days of receiving the school's notice of loss of eligibility, the school must submit an independent auditor's opinion to Default Management.

The school must compile a spreadsheet of the students that qualify to be included in the school's low income rate and a spreadsheet of the students that qualify to be included in either the school's placement rate (if the school is a non-degree-granting school) or the completion rate (if the school is a degree-granting school).

Figure 4.7.4

Sample School Low Income Rate Spreadsheet to Default Management

The following two figures (Figures 4.7.4 and 4.7.5) are examples for a non-degree-granting school submitting an economically disadvantaged appeal based on low income rate and placement rate. Figure 4.7.4 is a sample low income rate spreadsheet for this scenario, and

Type: Low Income Rate
Cohort FY: 2002
From: Graphic Tech
Code: 099999
To: Default Management
Code: N/A

12-Month Period: 06/15/2000 – 06/14/2001
Award Years: 1999-2000, 2000-2001
Calendar Years: 2000, 2001
Low Income Students: 140
Total Students: 200
Low Income Rate: 70%

	A	B	C	D	E	F
1	Student's SSN	Student's Name	Student's Enrollment Dates	Economically Disadvantaged	EFC and Award Year	AGI, Family Size, and Calendar Year
2	111-11-1111	Siebert, Angela	08/25/2000 – 12/30/2000	Yes	0 / 2000-2001	N/A
3	222-22-2222	Bennett, Derek	08/24/1999 – 06/15/2000	No	N/A	N/A
4	333-33-3333	Brewbaker, Mark	08/25/2000 – 05/16/2001	Yes	N/A	\$4,300 / 1 / 2001

Date 10/22/2004

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Type:	Placement Rate	12-Month Period:	06/15/2000 – 06/14/2001
Cohort FY:	2002	Placed Students:	25
From:	Graphic Tech	Total Students:	50
Code:	099999	Placement Rate:	50%
To:	Default Management		
Code:	N/A		

	A	B	C	D	E	F	G	H	I
1	Student's SSN	Student's Name	Student's Scheduled Completion Date	Student's Enrollment Dates	Student's Program of Study	Student Placed	Student's Employment Dates	Student's Job Description	Student's Employer: Name, Address, and Phone
2	111-11-1111	Siebert, Angela	12/30/2000	08/25/2000 to 12/30/2000	Graphic Design	Yes	04/03/2001 to Present	Web Designer	TangledWeb.com 68 Forsyth Canary, Mo 66666 1-313-131-3131
3	222-22-2222	Bennett, Derek	06/15/2000	08/24/1999 to 06/15/2000	Graphic Design	Yes	05/31/2001 to Present	Web Designer	TangledWeb.com 68 Forsyth Canary, Mo 66666 1-313-131-3131
4	333-33-3333	Brewbaker, Mark	12/30/2000	08/25/2000 to 05/16/2001	Graphic Design	No	N/A	N/A	N/A

Date 10/22/2004

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Figure 4.7.5 is the corresponding sample placement rate spreadsheet.

Figure 4.7.6 is a sample completion rate spreadsheet for a degree-granting school submitting an economically disadvantaged appeal based on low income rate and completion rate. The school must also submit a low income rate spreadsheet even though there is no sample low income spreadsheet for this school in the Guide.

Instructions for creating and completing spreadsheets are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

Figure 4.7.5 (above)

Sample School Placement
Rate Spreadsheet to
Default Management

Figure 4.7.6 (below)

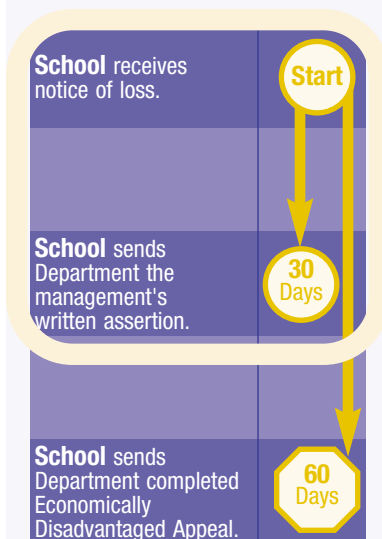
Sample School Completion
Rate Spreadsheet to
Default Management

Type:	Completion Rate	12-Month Period:	06/30/1998 – 06/29/1999
Cohort FY:	2000	Completed Students:	39
From:	Coralville College	Total Students:	50
Code:	098998	Completion Rate:	78%
To:	Default Management		
Code:	N/A		

	A	B	C	D	E	F	G	H	I	J
1	Student's SSN	Student's Name	Student's Scheduled Completion Date	Student's Enrollment Dates	Student Completed	Completed Program Date	Student's Program of Study	Student Transfers to Higher Program: Date, School Name, School Address, Program	Student's GPA	Date Student Entered Armed Services
2	111-11-1111	Lindemann, Marcia	05/17/1999	08/26/1995 to 05/17/1999	Yes	05/17/1999	N/A	N/A	N/A	N/A
3	222-22-2222	Vincent, Richard	05/17/1999	08/26/1995 to 05/16/1998	Yes	N/A	N/A	N/A	N/A	06/01/1998
4	333-33-3333	Smith, Abigail	12/15/1998	01/28/1995 to 05/15/2000	Yes	N/A	N/A	N/A	4.0	N/A
5	444-44-4444	Wilson, Hannah	05/17/1999	08/26/1995 to 05/17/1999	Yes	N/A	Marine Biology	08/14/1999 Orlando State University, 121 Water Street, Orlando, Florida Master's of Marine Biology	N/A	N/A
6	555-55-5555	Michaels, Lily	05/17/1999	08/26/1995 to 12/30/1995	No	N/A	N/A	N/A	N/A	N/A

Date 10/30/2002

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After completing the spreadsheets, the school should calculate either its low income rate and its placement rate (if it is a non-degree-granting school) or its low income rate and its completion rate (if it is a degree-granting school). For schools submitting economically disadvantaged appeals based on the school's low income rate and placement rate, the low income rate must be two-thirds or greater and the placement rate must be 44.0 percent or greater for the appeal to be successful. For schools submitting economically disadvantaged appeals based on the school's low income rate and completion rate, the low income rate must be two-thirds or greater and the completion rate must be 70.0 percent or greater for the appeal to be successful.

The school then submits its management's written assertion to Default Management. The school must submit the following:

- ❖ The low income rate spreadsheet.
- ❖ The placement rate spreadsheet (if the school is a non-degree-granting school) or the completion rate spreadsheet (if the school is a degree-granting school).
- ❖ A letter on the school's letterhead.

The letter must include the school's OPE ID number, a statement indicating that the school is submitting economically disadvantaged appeal data and the type of economically disadvantaged appeal (either low income rate and placement rate or low income rate and completion rate) the school is submitting. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal." The letter must include a certification that the information provided is true and correct under penalty of perjury, a list of any other adjustments and/or appeals the school is submitting to Default Management, and a statement that the school is sending its management's written assertion to an independent auditor. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.7.7 is a sample school economically disadvantaged appeal letter to Default Management.

**Figure 4.7.7 - Sample School Economically Disadvantaged
Appeal Letter to Default Management****GRAPHICTECH**

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

October 22, 2004

U.S. Department of Education
Default Management
ATTN: Economically Disadvantaged Appeal
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 2002 Economically Disadvantaged Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a cohort FY 2002 economically disadvantaged appeal based on the school's low income rate and placement rate. It is our management's written assertion that Graphic Tech has a low income rate of 70.0 percent and a placement rate of 50.0 percent for the 12-month period beginning on June 15, 2000 and ending on June 14, 2001. Please see the enclosed spreadsheets.

Graphic Tech has employed Alliance Auditing to review our management's written assertion.

I, the undersigned, certify under penalty of perjury that all information submitted to you is true and correct.

Graphic Tech has also timely submitted an uncorrected data adjustment.

Thank you for your consideration.

Sincerely,



President, Graphic Tech

Enclosures

cc: Alliance Auditing

Which Department address does a school use for submitting an economically disadvantaged appeal?

See the “Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?” section in Chapter 4.11, “Challenge, Adjustment, and Appeal Tools,” for the address for Default Management. A school should not send economically disadvantaged appeal materials to any other addresses at the Department.

Default Management recommends that a school send all economically disadvantaged appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the economically disadvantaged appeal as well as all written and hardcopy documentation submitted as a part of the economically disadvantaged appeal process. If a school does not meet the 30-calendar-day time frame for submitting its management’s written assertion, the economically disadvantaged appeal will not be reviewed.

How does an independent auditor review the management’s written assertion?

To complete the school’s economically disadvantaged appeal, an independent auditor must review and attest to the management’s written assertion. The school must submit the following materials to an independent auditor:

- ❖ The low income spreadsheet.
- ❖ The placement rate spreadsheet (if the school is a non-degree-granting school) or the completion rate spreadsheet (if the school is a degree-granting school).
- ❖ Any other materials the auditor requests.
- ❖ A letter on the school’s letterhead. Figure 4.7.8 is a sample school letter to an auditor.

The letter should include the school’s OPE ID number, a statement indicating that the school is submitting to the auditor economically disadvantaged appeal data, and the type of economically disadvantaged appeal (either low income rate and placement rate or low income rate and completion rate) the school is submitting. The letter should also include a subject line that reads “Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal.”

Figure 4.7.8 - Sample School Economically Disadvantaged Appeal Letter to Independent Auditor**GRAPHICTECH**

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

October 22, 2004

ATTN: Mr. Anthony Falduto
Alliance Auditing
5220 Brick Street
Evanstown, Wisconsin 97697-6976

OPE ID 099999

Subject: Cohort FY 2002 Economically Disadvantaged Appeal

Dear Mr. Falduto:

Graphic Tech, OPE ID 099999, is filing a cohort FY 2002 economically disadvantaged appeal based on the school's low income rate and placement rate. We ask you to review our written assertions in accordance with the standards of the American Institute of Certified Public Accountants (AICPA), the Government Auditing Standards issued by the Comptroller General of the United States, and the economically disadvantaged appeal criteria under 34 CFR 668.194 to determine if our written assertion meets the requirements for an economically disadvantaged appeal and is fairly stated in all material respects. You should note that our deadline for submitting an independent auditor's written opinion to the U.S. Department of Education is November 29, 2004. Please see the enclosed spreadsheets.

I, the undersigned, certify under penalty of perjury that all information submitted to you is true and correct.

Thank you for your consideration.

Sincerely,



Alexander Peachum
President, Graphic Tech

Enclosures

The letter should also include a request that the auditor review the written assertions in accordance with the standards of the American Institute of Certified Public Accountants (AICPA), the Government Auditing Standards issued by the Comptroller General of the United States, and the economically disadvantaged appeal criteria under 34 CFR 668.194. Finally, the letter should include a statement indicating that the deadline for submitting the independent auditor's written opinion is within 60 calendar days of the school receiving the notice of loss of eligibility and a certification that the information provided is true and correct under penalty of perjury.

The school's President/CEO/Owner should sign the letter, and the signature should be followed by a signature block showing the signer's name and job title.

Upon reviewing the management's written assertion and any other documentation that the auditor deems appropriate, the auditor must provide an opinion as to whether the written assertion demonstrates that the school meets the criteria for an economically disadvantaged appeal under 34 CFR 668.194. The report must also indicate if the written assertions are fairly stated in all material respects. A school submitting an economically disadvantaged appeal must submit the independent auditor's written opinion to Default Management within 60 calendar days of receiving the notice of loss of eligibility.

The engagement which forms the basis of the independent auditor's written opinion must be an examination-level compliance attestation engagement performed in accordance with the AICPA's Statement on Standards for Attestation Engagements, Compliance Attestation (AICPA, Professional Standards, Volume 1, AT sec. 500), as amended. A school may contact the AICPA order department at 1-888-777-7077 to obtain a copy of its standards or visit the AICPA website at

<http://www.aicpa.org>

The attestation must also be performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States.

The written opinion must be in the form of a letter to the school with the school's name, the school's OPE ID number, the Cohort fiscal year to which the appeal applies, and the auditor's opinions. The letter should feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal." The auditor must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.7.9 is a sample auditor's written opinion letter to a school.

**Figure 4.7.9 - Sample Written Opinion Letter
from Independent Auditor to School**



November 21, 2004

Alexander Peachum
President
Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765

OPE ID 099999

Subject: FY Cohort 2002 Economically Disadvantaged Appeal

Dear Mr. Peachum:

We have examined the written assertions of the management of Graphic Tech, OPE ID 099999, stating that the information contained in the economically disadvantaged appeal the school submitted is complete, accurate, and determined in accordance with the requirements of Section 668.194 of Title 34 of the Code of Federal Regulations (34 CFR 668.194). The management of Graphic Tech is responsible for the school's compliance with those requirements. Our responsibility is to express an opinion on management's written assertions about the institution's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants (AICPA) and the Government Auditing Standards issued by the Comptroller General of the United States accordingly. We also examined, on a test basis, evidence about Graphic Tech's compliance with 34 CFR 668.194, and performed other procedures that we considered necessary under the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Graphic Tech's compliance with specified requirements.

In our opinion, management's written assertion that Graphic Tech has a low income rate of 70.0 percent and a placement rate of 50.0 percent for the 12-month period beginning on June 15, 2000 and ending on June 14, 2001, is complete, accurate, and determined in accordance with the requirements set forth in 34 CFR 668.194, and is fairly stated in all material respects.

This report is intended solely for the information of an audit committee, management, and the U.S. Department of Education. However, this report is a matter of public record and its distribution is not limited.

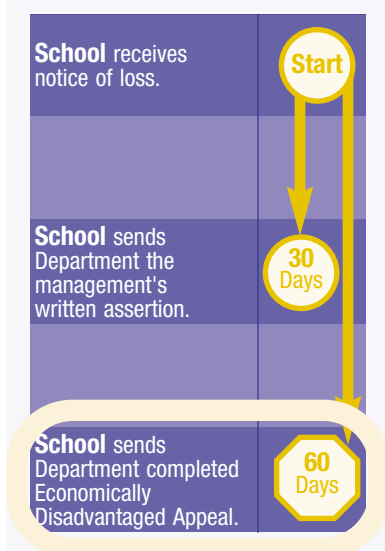
Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Anthony Falduto".

Anthony Falduto
President, Alliance Auditing

cc: U.S. Department of Education
Default Management



The school is responsible for sending the independent auditor's written opinion to Default Management within the 60-calendar-day deadline. If the school does not submit the written opinion within 60 calendar days of the school receiving the notice of loss of eligibility, Default Management will not review the economically disadvantaged appeal and will return all economically disadvantaged appeal materials to the school.

The school must submit the following materials to Default Management

- ❖ The independent auditor's written opinion.
- ❖ A letter on the school's letterhead.

The letter must include the school's OPE ID number, a statement indicating that the school is submitting an economically disadvantaged appeal, and the type of economically disadvantaged appeal (either low income rate and placement rate or low income rate and completion rate) the school is submitting. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal." The letter must also include a certification that the information provided is true and correct under penalty of perjury and a list of any other adjustments and appeals the school intends to submit to Default Management. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.7.10 is a sample school independent auditor's written opinion submittal letter to Default Management.

What happens after the school submits the independent auditor's written opinion?

Default Management will review, using the standard of review described in 34 CFR 668.189(f), only the information submitted with the economically disadvantaged appeal and will not review information submitted after the 60-calendar-day deadline. Default Management will send the school written notification of Default Management's decision. Default Management's decision is final and no further administrative review is provided.

If the school was notified that it was subject to sanction and the economically disadvantaged appeal is successful, Default Management will withdraw the notice of loss of eligibility. If the school was notified that it was subject to sanction and

**Figure 4.7.10 - Sample School Independent Auditor's Written
Opinion Submittal Letter to Default Management****GRAPHICTECH**

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

November 30, 2004

U.S. Department of Education
Default Management
ATTN: Economically Disadvantaged Appeal
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 2002 Economically Disadvantaged Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a cohort FY 2002 economically disadvantaged appeal based on our low income rate and placement rate. I, the undersigned, certify under penalty of perjury, that our low income rate is 70.0 percent, our placement rate is 50.0 percent, and that all other information submitted in support of this economically disadvantaged appeal is true and correct. Please see the attached spreadsheets for the low income rate and placement rate, along with the independent auditor's attestations on our school's management assertions.

Graphic Tech is submitting its economically disadvantaged appeal at this time; however, the school has also submitted an uncorrected data adjustment.

Thank you for your consideration.

Sincerely,



Alexander Peachum
President, Graphic Tech

Enclosures

the economically disadvantaged appeal is unsuccessful, and the school has no other outstanding adjustments or appeals, Default Management will notify the school of the effective date of the sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the Federal Family Education Loans (FFELs) it certified and delivered and/or the William D. Ford Federal Direct Loans (Direct Loans) it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

What roles do data managers have in a school's economically disadvantaged appeal?

Schools submit economically disadvantaged appeals directly to Default Management for review and consideration. Default Management is responsible for determining whether schools meet the established economically disadvantaged appeal criteria. Therefore, there is no role for data managers.

If a school submits an appeal to the wrong entity or address, the appeal might not be reviewed and the school could miss the deadline for submitting the appeal to Default Management.

If a data manager receives an economically disadvantaged appeal from a school, it should immediately contact the school to inform it that the appeal must be sent to Default Management. The data manager should also indicate that the request must be sent to Default Management within the appropriate time frame. The data manager should then notify Default Management that the data manager has contacted the school.

School Economically Disadvantaged Appeal Checklist

Determine

- ☐ Is the school subject to sanction? (See page 4.7-1)
- ☐ What is the school's low income rate? (See page 4.7-3)
- ☐ For a non-degree-granting school, what is the school's placement rate? (See page 4.7-4)
- ☐ For a degree-granting school, what is the school's completion rate? (See page 4.7-6)

Submit to Default Management

- ☐ Spreadsheet (See page 4.7-8)
- ☐ Letter (See page 4.7-10)

Submit to Independent Auditor

- ☐ Spreadsheets (See page 4.7-12)
- ☐ Other Requested Materials (See page 4.7-12)
- ☐ Letter (See page 4.7-12)

After receiving independent auditor's response:

Submit to Default Management

- ☐ Copy of Independent Auditor's Response (See page 4.7-16)
- ☐ Letter (See page 4.7-16)

Independent Auditor to School Economically Disadvantaged Appeal Checklist

Determine

- ☐ Does school meet criteria? (See page 4.7-14)

Submit to School

- ☐ Written Opinion (See page 4.7-14)

